

## AN INCONVENIENT TRUTH

Labour hasn't bridged the wealth gap.

by William Underhill | NEWSWEEK | [Published Jan 9, 2010](#)

1. Remember the heady days of 1997 and the promised transformation of British society? After 18 long years of rule by a Conservative government whose policies had led to greater prosperity, but also an unprecedented wealth gap, the Labour Party was back in office, offering a fresh start. In the early days, Blair, Brown, and their team promised a land where "wealth and opportunity are in the hands of the many not the few." Trouble is that the Labour Party's more equal future has yet to arrive. Despite the rhetoric, the inequality gap has only grown under New Labour. Measured by the income gap between the richest and poorest 20 percent of the population, it's not far behind the U.S.A., Singapore, and Portugal, which top the global list. Even when you look at the Gini coefficient, a measure of inequalities across the whole of society rather than the extremes, Britain trails far behind other European nations like Germany or Sweden.

2. To be fair, the bulk of the rich-poor chasm grew under Thatcher-led Conservative governments of the 1980s. According to the Institute for Fiscal Studies, the Iron Lady oversaw a rise in inequality on a scale that was "unparalleled both historically and compared with changes taking place at the same time in most other developed countries." It was Thatcher who slashed the highest marginal rates of income tax from more than 90 percent to a more bearable 40 percent. And Labour has managed to channel more cash toward the neediest. Pensioners and families with children have good reason to thank the party.

3. But an awkward truth remains. When Thatcher took over in Downing Street, the Gini coefficient (in which a lower number indicates a more equal society) stood at just 0.25. Today, it's 0.36. There have been some fluctuations, but after 12 years in office, the Labour Party has failed to reverse the trend to greater inequality. A party that was once seen as the champion of the disadvantaged has presided over a period of ever-growing affluence among the Mayfair-dwelling classes, while folks in the housing projects have seen modest, if any, improvement in their living standards. That would be embarrassing at any time: it's especially so when there's growing resentment of society's richest, including the bankers who appear to have escaped the worst effects of a financial crisis that they helped to precipitate. With an election due by early summer, Labour can't expect to escape the issue. Even the high-profile windfall tax on bank bonuses recently instituted by Gordon Brown is largely toothless—it will expire this spring, which means financiers will in effect only have to wait a few months to collect their payoffs.

4. Indeed, a resurgent Conservative Party is now busy positioning itself as the champion of a more equal Britain albeit with the state and taxation playing a lesser role (a bit of a policy challenge). Party leader David Cameron likes to cite The Spirit Level, a recent international study by two British

academics that demonstrates a link between inequality and a range of social woes. The message: more-equal societies are happier.

5. So how did Labour drop the ball on inequality? One answer must be the general broadening of the gap between the pay of skilled and unskilled workers, a trend across the developed world that can't be blamed on individual governments. But in truth, addressing inequality never really figured high on the party's priority list. The New Labour party of Tony Blair wasn't going to alienate its new middle-class supporters by a return to social engineering through taxation, and it knew it could depend on the attitudes of the Thatcher generation that had come to distrust the idea of the deserving poor.

6. Instead, Blair placed his hope for building a fairer society on better education—the education budget has almost doubled under Labour—rather than on the redistributive taxation. As his chancellor, Brown did manage to slip through a few stealthy measures that clobbered the rich—inheritance-tax thresholds were never adjusted to match soaring property prices—but that top 20 percent were allowed to flourish.

7. What voters heard wasn't so different from the old Thatcherite message. As Blair's onetime aide Peter Mandelson famously put it, "We are intensely relaxed about people getting filthy rich." It's only now, in response to pressing budgetary problems, that the government has now decided to bill the richest for 50 percent in income tax. It's too late to win electoral advantage. The Tories approve the tax hike, too.

### VOCABULARY

**chasm** : big difference between two groups

**Mayfair**: very rich residential area of central London.

**housing project** : publicly funded housing for low-income families

**to clobber** : to affect someone, especially by making them lose money

**deserving poor** (as defined in an Act of Parliament passed in 1601 ! ) : people who *truly* need financial support because they want to work but are unable to find suitable employment

**windfall tax** : an additional amount of tax the British government sometimes takes from a company that has suddenly earned a large amount of money that it did not expect to earn

the **inheritance-tax threshold** (= seuil), or 'nil rate band', is the amount up to which there will be no inheritance tax to pay on an estate (= un bien). Tax will be due at 40 per cent on the amount over the nil rate band.

**filthy** : indécent, obscène

**hike** : large increase